

# **ASEAN Strategic Action Plan for SME Development (2010 – 2015)**

## **1. Introduction**

At the 14<sup>th</sup> ASEAN Summit, the AEC Council was tasked to develop an ASEAN Action Plan to enhance SMEs' competitiveness and resilience. An important policy focus in the Action Plan -- underlined by the HLTF-EI, the AEM and ASEAN Leaders --, is the need to foster private-sector engagement and partnership on SME issues. This is to serve as a driving force in the implementation of SME development policies and programmes, including those concerned with the accelerated integration of the 12 priority sectors, at the national, subregional and/or regional levels.

The Plan defines the mission, objectives, guiding principles, current status, and future policies and programs for ASEAN SME Development. The Plan aims to provide specific activities to be conducted in the short and medium term, wider dissemination of information on regional activities to ASEAN SMEs, and implementation of national and regional SME policies and programmes.

## **2. The Policy Environment**

### **2.1 The ASEAN Community**

The ASEAN Charter, which came into force on 15 December 2008, embodies the collective intent and political will of the ASEAN Member States towards achieving the vision of an ASEAN Community by 2020.

With the ASEAN Charter, the peoples, institutions and resources of ASEAN Member States are expected to converge into the ASEAN Community with unified and collective goals on key development issues. The realization of this community rests upon the attainment of goals in the various sectors and areas of concern that comprise each of the three pillar communities—ASEAN Political-Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community. As a community, ASEAN aims bring about a whole new dimension to decades of cooperation among its member countries with new opportunities and amidst more diverse challenges in an increasingly complex global social and economic environment.

At the 14<sup>th</sup> ASEAN Summit in February 2009, the ASEAN Leaders adopted the APSC Blueprint, ASCC Blueprint and the Initiatives for ASEAN integration (IAI) Work Plan 2, 2009-2015. The Leaders further agreed that these Blueprints, together with the AEC Blueprint, which was approved at the Twelfth ASEAN Summit in November 2007, shall constitute the Roadmap for an ASEAN Community, 2009-2015 to promote a wholistic approach in achieving the ASEAN Community goals.

The AEC Blueprint in particular outlines the strategic areas of cooperation and integration to establish a single market and production base, where there is free flow of goods, services, and investment and freer movement of capital and skilled labour, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy.

### **2.2 The ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014**

The ASEAN Economic Ministers (AEM) met during their Retreat in Siem Reap, Cambodia, on 4-5 May 2009. The Ministers noted that the ASEAN Policy Blueprint for SME Development 2004-2014 (APBSD) aims to facilitate the emergence of a SME sector which is characteristically entrepreneurial, growth oriented, outward-looking, modern and innovative.

The APBSD is currently in its sixth year of implementation. In view of this, the AEM agreed to undertake a stock-taking exercise and review the implementation of the APBSD thus far in ASEAN.

### 3. Rationale for a Strategic Approach to the Development of SMEs in ASEAN

SMEs are the backbone of the ASEAN economies. They account for more than 96 per cent of all enterprises and for between 50 and 95 per cent of employment in many AMSs. In addition, the contribution of SMEs to GDP is generally significant, about 30-53 per cent, and the contribution of SMEs to exports is between 19-31 per cent. They are also the largest source of domestic employment across all economic sectors and in both rural and urban areas. The SME sector also provides opportunities for women and youth to participate in the economic development of the country.

A strong, dynamic and efficient SME sector will ensure the sustainable, inclusive and broad-based economic and social development. A vibrant SME sector is critical in supporting closer regional integration through the establishment of the ASEAN Community, particularly the ASEAN Economic Community (AEC). Thus, the encouragement and promotion of competitive and innovative SMEs is necessary in contributing to greater economic growth and social development towards more inclusive and broad-based integration of the ASEAN region.

The SME sector in ASEAN, however, is confronted with a wide-range of structural, financial and other challenges, among which are limited access to finance, technologies and markets. There is also the question of entrepreneurial spirit and management skills among ASEAN SMEs. These problems are compounded by the lack of information, inadequate capacity for compliance with standards and certification, and the absence of a more conducive business and policy environment.

In addition, there are the new trends of conducting business utilizing information and communications technology (ICT) with on-line linkages across the value chain as well as the outsourcing and networking strategies adopted by large enterprises and multinational companies (MNCs) which lack participation by SMEs. All these require SMEs and government to undertake proactive capacity building and other measures to ensure and sustain SME participation in supply networks and to sharpen SME competitiveness, flexibility and hence business sustainability.

SMEs are seen to be more agile and adaptable to changes in the business environment, and the increasingly exacting market and consumer requirements. Concerted actions and development programmes in partnership with donor agencies undertaken on a regional basis through the ASEAN SME Working Group (ASMEWG) will be important in enhancing the capacity of SMEs to ensure a more progressive SME sector towards the overall economic growth and the realisation of the ASEAN Community.

Greater competition, rapid technological advances, more demanding and constant changes in market and consumer requirements mean that SMEs have to be innovative

and forward looking in order to manage with success the challenges of the global, regional and domestic markets. The formation of SME-based clusters, and inter-firm networks and linkages within ASEAN will help leverage collaboration and collective efficiency, including scale economies across the value chain, thus creating further opportunities for business development and supply linkages for SMEs and their entrepreneurs in the region.

There is additionally a need to create and promote a more conducive business and policy environment for SME development where both Government and the private sector assume synergistic and complementary roles. The Government acts as a facilitator, while SMEs themselves are the engine of growth. Indeed, collaborative SME development programmes within a public-private partnership framework will ensure the continued economic growth and social development in the region. These programs can be achieved through structured and organized action plans and development initiatives, including though the introduction of wide-ranging capacity building and fiscal and financial incentive programmes, with SMEs and their entrepreneurs as the main target beneficiaries (Source: ASEAN Policy Blueprint For SME Development 2004-2014).

## 4. Mission Statement and Operational Principles

### 4.1 Mission and objective

By 2015, ASEAN SMEs shall be world-class enterprises, capable of integration into the regional and global supply chains, able to take advantage of the benefits of ASEAN economic community building, and operating in a policy environment that is conducive to SME development, exports and innovation.

### 4.2 Guiding principles

In implementing the Strategic Plan, ASEAN shall be guided by the needs of its stakeholders. The Plan shall promote SME development through improving access to financing and technology, strengthening export capacity, utilization of ICT solutions, enhanced capability to innovate and strengthened human resource development through regional programmes.

The Plan shall also support mechanisms that promote access to information, database development and dissemination of best practices.

### 4.3 Goals

To realize the vision and objective, ASEAN needs to achieve the following goals:

- Enhancing Internationalization of SMEs and SME Marketing Capabilities
- Improving SME Access to Finance.
- Strengthening SME Human Resource Development and Capacity Building
- Incubator and Local SME Development
- Establishing an SME Service Center/ASEAN SME Service Desk
- Setting up an ASEAN SME Regional Development Fund.

## 5. Future policies and programs

Future policies and programs of the SMEWG should consider the specific needs and objectives of ASEAN SMEs -- e.g., (a) SME entrepreneurship and human resource development; (b) SME capacity building in management, marketing, networking and supply chain formation, technology and financing; (c) level policy playing field for SMEs, including information dissemination on, and inter-agency coordination to enable SMEs take advantage of AFTA, AIA, PISs, AEC, etc.; (d) public-private sector partnership for SME development and networking, etc.

The strategic schedule with key activities and timeline appears as **ANNEX 1**

## 6. Implementation, monitoring and updating of the Plan

Implementation of this Strategic Plan shall be guided by a medium-term Strategic Schedule and annual work programs to be formulated upon its adoption. The Plan is meant to be a dynamic document and may be updated when there are significant changes in data needs or shifts in investment policy and program thrusts and priorities. Periodic monitoring shall be done through the AEC Scorecard or similar mechanisms.

## ANNEX 1 - STRATEGIC SCHEDULE

| No                         | Plan   | Key Activities   | Timeline   | Responsibility                |
|----------------------------|--|--|--|-------------------------------|
| <b>ACCESS TO FINANCING</b> |  |  |  |                               |
| 1                          | Establishment of SME Financial Facility in each ASEAN Member Country   | Survey conducted by Malaysia/<br>Brunei<br><br>Sharing of experience on best practices of SME Financial Facility   | 2009<br><br>2010   | AMSS<br><br>Brunei Darussalam |
| 2                          | Feasibility study of SME credit systems for enhancing SME access to bank lending and loan guarantee in ASEAN.  | Survey to be conducted by Indonesia  | 2010   | Indonesia                     |
| 3                          | Setting up of a Regional SME Development Fund <ul style="list-style-type: none"> <li>• Innovative financing support systems (besides financial grants, tax concessions and fiscal incentives, interest free or low cost loans, venture capital and FDI, etc.) for techno-entrepreneurs – including those based on many newly developed financing concepts and schemes to value knowledge as intangible capital and to fund ventures based on new and innovative ideas.</li> <li>• SME-related regional infrastructure, such as (a) ASEAN SME Web Portal (information and education), (b) virtual ASEAN agencies linking up all SME-related agencies, (c) SME service provider, and (d) ASEAN Credit Bureau;</li> <li>• Financing, such as (a) improved financial products for SMEs, (b) developing regional capital market for SMEs, (c) expanding mutual</li> </ul> | Developing the conceptual framework <ul style="list-style-type: none"> <li>- Getting comments from stakeholders in AMSS</li> <li>- Drafting conceptual framework</li> </ul>                              | <ul style="list-style-type: none"> <li>- Q4/2009</li> <li>- Q1/2010</li> </ul> | Thailand                      |
|                            |  | Finalizing the proposed framework <ul style="list-style-type: none"> <li>- Conducting Expert Group Meeting with ADB, World Bank, and EU Commission</li> <li>- Completing Conceptual Framework</li> </ul> | - Q2/2010  | Thailand                      |
|                            |  | Establishing Regional SME Development Fund <ul style="list-style-type: none"> <li>- Submitting the framework to higher bodies</li> <li>- Establishing the fund</li> </ul>                                | <ul style="list-style-type: none"> <li>- Q3/2010</li> <li>- Q2/2015</li> </ul> | ASEAN Secretariat / AMSS      |

|                     |  |   |                                     |                |
|---------------------|--|---|-------------------------------------|----------------|
|                     | <p>SME investment, (d) improving SME access to finance, (e) getting SMEs listed in growing stock market, (f) national and regional SME credit guarantee scheme; and</p> <ul style="list-style-type: none"> <li>• Networking, such as (a) high and new technology SMEs, (b) SMEs with notable brands, (c) financing agencies providing services to SMEs, (d) management experts.</li> </ul> |   |                                     |                |
| <b>FACILITATION</b> |  |   |                                     |                |
| <b>1</b>            | Development of a multi-media self-reliant system toolkit package.  | <p>Conceptual design</p> <p>Design and development of prototype</p> <p>Test run</p> <p>Training for trainers</p> <p>Workshop for AMSs</p> <p>Fine Tuning of the multimedia system</p> <p>Field trip and workshop to promote the multimedia toolkit</p> <p>Implementation of the toolkit by SMEs</p> <p>Monitoring of implementation</p> <p>Reporting and evaluation</p> | <p>2010</p> <p>2011</p> <p>2012</p> | Malaysia/ AMSs |

|          |   |   |      |          |
|----------|---|---|------|----------|
|          |   |   |      |          |
| <b>2</b> | Improving technology transfers and licensing within the SME sector through the dissemination of concrete good practices and replicable success stories within and outside ASEAN.  |   |      |          |
| <b>3</b> | Hyperlink national SME Portals  | AMSs to hyperlink their national SME portals to each other  | 2010 | AMSs     |
|          | Improve the operation of the National Service Desk  | Exchange of information on best practices in making the operation of SME Service Centers effective and sustainable. | 2010 | AMSs     |
| <b>4</b> | Establishing a comprehensive SME service center with regional and sub-regional linkages in AMSs   | Undertake feasibility study for establishing the ASEAN SME Service Center   | 2010 | Thailand |
|          |   | Establishment of the SME Service Center   | 2012 | AMSs     |
| <b>5</b> | Dissemination of information on regional and international opportunities in trade and investment to SMEs, including FTA-related information on the liberalization of trade and investment within ASEAN (e.g., AFTA-CEPT/ATIGA, priority integration sectors, ACIA etc.) and outside ASEAN (e.g., FTAs with Australia and New Zealand, China, Japan, and Republic of Korea, and other emerging market) | AMSs to upload ASEAN related information on their respective SME agencies portal.                                   | 2010 | AMSs     |

| <b>TECHNOLOGY DEVELOPMENT</b> |  |  |  |   |
|-------------------------------|--|--|--|---|
| 1                             | Sharing of information on technology availability for SMEs in AMSs   | AMSs to upload information on available technology for SMEs in their national SME portals.   | 2010   | AMSs                                      |
| 2                             | Developing KPIs on SME Innovations   | Information sharing on KPI to be used for promoting SME innovation in each AMS   | 2010   | AMSs                                      |
| 3                             | Development of technology incubators so as to nurture and support (through low-cost training programs for continuous upgrading and improvement) of techno-entrepreneurs from infancy to take off and commercialization stages  | conducting technology training programs for managers of technology incubators in AMSs<br><br>setting up technology incubators in each AMS  | 2010   | AMSs                                      |
| <b>PROMOTION</b>              |  |  |  |   |
| 1                             | Identification of the top 1000 ASEAN SMEs: <ul style="list-style-type: none"> <li>• top 100 from each AMS <ul style="list-style-type: none"> <li>○ by sub-category of services and manufacturing</li> <li>○ by sub-category of micro/small and medium scale</li> </ul> </li> </ul> | ASEAN Secretariat to obtain the criteria for selection of top ASEAN companies from ABAC/ other ASEAN sources<br><br>SMEWG to finalize the criteria for the selection of top 1000 ASEAN SMEs based on the ABAC/ other sources criteria<br><br>AMSs to conduct the search through their respective Chambers of commerce and Industry or Agencies.<br><br>Conduct search for top ASEAN SMEs | <ul style="list-style-type: none"> <li>• Q2/2010</li> <li>• Q3/2010</li> <li>• Annually</li> <li>• Annually</li> </ul> | ASEC<br><br>SMEWG<br><br>AMSs<br><br>AMSs |



|                                   |   |  |   |  |
|-----------------------------------|---|--|---|--|
|                                   |   | Publish the results on the ASEAN Secretariat website and AMSs national media.  | <ul style="list-style-type: none"> <li>Annually</li> </ul>                        | AMSs   |
| 2                                 | Establishing ASEAN SME Innovation Awards  | <p>Annual SME Innovation Awards</p> <ul style="list-style-type: none"> <li>AMS to develop a set of criteria</li> <li>AMS to conduct the search for top 5 ASEAN SMEs per AMS</li> </ul>   | <ul style="list-style-type: none"> <li>Q2/2010</li> <li>Annually by Q4</li> </ul> | <ul style="list-style-type: none"> <li>AMS</li> <li>AMS</li> </ul> |
| 2                                 | Promoting ASEAN SMEs to the international market  | <ul style="list-style-type: none"> <li>Establishing a virtual SME Exhibition portal <ul style="list-style-type: none"> <li>product profile of selected SMEs</li> <li>policy initiative on promoting product of SMEs</li> </ul> </li> </ul> | 2013  | Indonesia & SMEWG  |
| 3                                 | Wider dissemination of information on SMEs trade fairs and festivals in each AMSs, and facilitating SMEs to participate in these events | <p>Sharing of information on SMEs trade fairs and festivals in each AMSs</p> <p>Facilitating the participation of ASEAN SMEs in ASEAN and Plus Three trade fairs and festivals.</p>  | <p>2010</p> <p>Annually</p>   | <p>AMSs</p> <p>AMSs</p>  |
| <b>Human Resource Development</b> |   |  |   |  |

|          |   |  |   |   |
|----------|---|--|---|---|
| <b>1</b> | Established a common curriculum for entrepreneurship in ASEAN   | <p>Developing the Common Curriculum for Entrepreneurship Development</p> <p>Pilot project on the implementation of the common curriculum for entrepreneurship development in each AMS</p> <p>Monitor and review the common curriculum for entrepreneurship</p> | <p>2009</p> <p>2010</p> <p>Annually</p> | <p>Indonesia &amp; Singapore</p> <p>AMSs</p> <p>SMEWG</p> |
| <b>2</b> | Established a regional program for the promotion of internship scheme for staff exchanges and visits for skills training. |  | 2013                                    |   |